

DEPARTMENT OF REAL ESTATE

PO Box 187000

Sacramento, CA 95818-7000

916 227-0770



April 28, 2009

G. Bradley Hargrave
One Kaiser Plaza, Suite 1305
Oakland, CA 94612

Re: Advance Fee Agreement

This letter will acknowledge our receipt of the advance fee agreement and accounting format you submitted on behalf of 1 Modification Services Inc on April 15, 2009.

The Department has no objection to the broker's use of the advance fee agreement and accounting format as submitted.

This agreement replaces any other agreement previously submitted for the Department's review. Additionally, it is not to be used by other than the submitting broker or real estate corporation.

Please note that any changes to the agreement or the accounting format must be submitted to the Department for review before it is used. Any promotional materials that the broker may subsequently wish to use will require our prior review, as well. This includes press releases and announcements related to the broker's advance fee activities.

This letter does not constitute, nor may the broker make any representation that the Department of Real Estate has endorsed or approved any aspect of the broker's business activities.

Sincerely,

Sylvia I. Yrigollen
Senior Deputy Commissioner
Advance Fee Review Section

C: 1 Modification Services Inc
Michael J. Zugar, Designated Officer
3031 Tisch Way Suite 901
San Jose, CA 95128

MORTGAGE LOAN MODIFICATION AGREEMENT

This Mortgage Loan Modification Agreement ("Agreement") is made on _____ (Date), by and between 1 Modification Services, Inc., a California corporate real estate broker ("Broker"), and _____ and _____ (individually and collectively, "Client"). The purpose of this Agreement is to set forth a specific and complete description of all services to be provided by Broker to Client, and to set forth all fees to be charged by Broker for such services.

Article 1. Description of Services and Fees

Section 1.01. Mortgage Loan. Broker will use its best efforts to assist Client in preparing and submitting to Client's Mortgage Lender, as that term is defined below, such information and materials as Client's Mortgage Lender may require in order to consider offering Client a "Modification," as that term is described herein, of Client's "Mortgage Loan." The term Mortgage Loan shall mean and refer to the following loan:

Client's Mortgage Lender: _____

Mortgage Lender's Address: _____

Mortgage Lender's Loan Account Number: _____

Loan Balance: \$ _____

Address of Client's Real Property: _____

Street Address

City, State and Zip Code

Section 1.02. No Obligation Consultation. At no obligation, Broker will determine whether Client's Mortgage Lender engages in loan modifications. If so, Broker will assist Client in assessing whether Client may qualify for a loan modification, in accordance with such lender's requirements and guidelines. Such assistance and assessment is made by reviewing Client's income documentation, including tax returns and pay stubs. If Broker determines that Client's Mortgage Lender will not offer loan modifications, or if it is determined that Client will not qualify for a loan modification, or if for any reason Client does not wish to proceed, Client will owe no fee to Broker, which will then terminate its services and no fee shall be due to, or collected by, Broker. The services described in this Section 1.02 shall be provided and concluded on or before _____, (insert date which is no more than 10 days after the date Agreement is entered into).

Section 1.03. Deposit of Fees to Client Trust Account. If, upon conclusion of the No Obligation Consultation described in the preceding Section 1.02, Client wishes for Broker to provide any additional services, then Client shall be required to deposit with Broker the sum of Three Thousand Nine Hundred Ninety Five Dollars (\$3,995.00) on _____, (*Insert date*), which sum shall be deposited into the 1 Modification Services, Inc. Client Trust Account, number 501035133 at Heritage Bank of Commerce, 150 Almaden Boulevard, San Jose, CA 95113 Bank, _____, on or before _____ (*Date. Insert Date which is no later than three business days following the date of receipt*).

Notice: The amount or rate of fees specified in this Agreement for services is not fixed by California law. Fees are set or established by each broker individually and are subject to negotiation between Client (principal) and Broker.

Client Initials

Client Initials

Section 1.04 Loan Modification Package Submission. If Client's Mortgage Lender engages in loan modifications, if there is a reasonable expectation that Client may qualify for a loan modification, and if Client desires to engage Broker, Broker will work with Client to understand the loan modification process and to assemble and complete all documentation, forms and information needed for Client's Mortgage Lender to consider offering Client a Modification. This includes:

- Reviewing the loan modification process with Client
- Reviewing with Client possible workout options
- Reviewing and analyzing Client's current pay stubs to derive an average net income
- Reviewing and comparing Client's bank statements, two-year income taxes and year-to-date pay stubs for financial hardship
- Preparation of financial worksheet with Client's monthly income and debts
- Reviewing and analyzing current market value of Client's Real Property
- Preparation of hardship letter for Client
- Compiling documents and information needed for Loan Modification Package, including financials, hardship letter and financial work sheet
- Submission of Loan Modification Package to appropriate department at Client's Mortgage Lender
- Following-up with Client's Mortgage Lender to confirm receipt of Loan Modification Package
- Reviewing Client's Loan Modification Package with Client's Mortgage Lender, as needed

All of the services described in this Section 1.04 shall be provided and concluded on or before _____, (*insert date which is 30 days after the date Agreement is entered into*).

Upon completion of the services described in Section 1.04 above, a fee of One Thousand Two Hundred Fifty Dollars (\$1,250.00) shall have been earned by Broker. By signature below, Client authorizes and agrees that Broker shall pay itself this amount from Client's funds held in the 1 Modification Services, Inc. Client Trust Account. However, no payment shall be disbursed to Broker until at least five (5) days after Broker has provided Client with a verified accounting as described in Section 1.07 below.

Section 1.05. Follow-up with Client's Mortgage Lender. After the submission of a Loan Modification Package as described in the preceding Section 1.04, Broker will work with Client's Mortgage Lender, staying in regular contact with both Client and Client's Mortgage Lender, until Client's Mortgage Lender makes a final decision with respect to the request for a Modification. This will include:

- Regular contact with Client's Mortgage Lender and Client, and negotiating on Clients behalf until completion
- Securing updated pay stubs and bank statements from Client, as needed
- Reviewing of monthly updated pay stubs and bank statements from Client to confirm financials have not changed since submission of Loan Modification Package
- Reviewing with Client the pros/cons of any modification/workout resolution offered by Client's Mortgage Lender
- Assessing, with Client, Client's financial ability for repayment of Client's Mortgage Loan, if modified per offered terms
- Securing Client's notarized signatures, as necessary, on any Loan Modification Agreement accepted by Client
- Providing Client and Mortgage Lender with copy of fully executed Loan Modification Agreement
- Confirm receipt by Mortgage Lender of accepted Loan Modification Agreement

"Modification," as used herein, shall mean a workout solution and/or outcome reached with Client's Mortgage Lender, including any one or more of the following:

- a. securing a reduced or fixed interest rate on Client's Mortgage Loan; or,
- b. securing a conversion of a fixed interest rate to an adjustable rate, either temporarily or permanently; or,
- c. securing a principal reduction on Client's Mortgage Loan; or,
- d. securing elimination, reduction or alternative payment obligations, or securing a repayment plan or some form of forbearance or workout arrangement, for any payment obligations on Client's Mortgage Loan which are past due.

All of the services described in this Section 1.05 shall be provided and concluded on or before _____, (*insert date which is 90 days after the date Agreement is entered into*).

Upon completion of the services described in this Section 1.05, a fee of Two Thousand Seven Hundred Forty Five Dollars (\$2,745.00) shall have been earned by Broker, if and only if, Client's Mortgage Lender offers Client: (a) a reduced or fixed interest rate on Client's Mortgage Loan; or, (b) a conversion of a fixed interest rate to an adjustable rate, either temporarily or permanently, on Client's Mortgage Loan; or, (c) a principal reduction on Client's Mortgage Loan; or, (d) elimination, reduction or alternative payment obligations, or a repayment plan, or some form of forbearance or workout arrangement, for any payment obligations on Client's Mortgage Loan which are past due. By signature below, Client authorizes and agrees that Broker shall pay itself from Client's funds held in the 1 Modification Services, Inc. Client Trust Account. However, no payment shall be made until at least five (5) days after Broker has provided Client with a verified accounting as described in Section 1.07 below.

Section 1.06. Refund of Fees. Fees not earned by Broker in accordance with the terms of this Agreement, shall be refunded to Client, without cost or deduction of any kind.

Section 1.07. Verified Accounting. Broker shall provide Client with verified accountings of the disposition of Client's funds from the 1 Modification Services, Inc. Client Trust Account. Such verified accountings will be provided at least once each quarter and again when Broker has completed the Services pursuant to this Agreement. Each accounting shall be in the form of Exhibit B attached hereto, and shall provide the following information:

1. Client's name;
2. The name of each agent who has provided services to Client pursuant to this Agreement;
3. a description of services provided by Broker to date;
4. identification of the Client Trust Account into which Client's funds have been deposited;
5. that \$3,995.00 was collected from Client on _____ (*insert date deposit received from Client pursuant to Section 1.03*); and,
6. a description of all disbursements of Client's funds from the 1 Modification Services, Inc. Client Trust Account, including the date of each such disbursement and the recipient thereof.

Section 1.08. Term. Client may terminate this Agreement, at any time, with or without cause. This Agreement shall automatically terminate on _____, (*insert date which is 90 days after the date Agreement is entered into*). Upon termination of this Agreement, for any reason, any and all unearned funds shall be refunded to Client, without cost or deduction of any kind.

Article 2. Services Which are Not Covered by this Agreement

Section 2.01. Mortgage Brokerage Services. By signature below, Client acknowledges that the Services to be provided by Broker pursuant to this Agreement are limited to those specifically set forth in Article 1. Should Client elect to utilize the mortgage brokerage services of Broker in connection with the making or arranging of a mortgage loan, any such mortgage brokerage services would not be covered by this Agreement and would be the subject of a separate and different fee arrangement.

Section 2.02. Real Estate Brokerage Services. By signature below, Client acknowledges that the Services to be provided by Broker pursuant to this Agreement are limited to those specifically set forth in Article 1. Should Client elect to utilize the real estate brokerage services of Broker in connection with the listing, selling and/or purchase of real property, including but not limited to Client's real property, any such real estate brokerage services would not be covered by this Agreement and would be the subject of a separate and different agreement, including a separate and different fee arrangement.

Article 3. Cooperation of Client

Section 3.01. Full Disclosure. By signature below, Client represents and warrants to Broker that all information provided by Client to Broker has been, and shall be, in all respects true and correct, to the best of Client's knowledge and belief.

Section 3.02. Contact Information. At all times during the term of this Agreement, Client agrees to keep Broker fully informed of Client's contact information, including telephone number, e-mail address if available, and current home and mailing addresses.

Article 4. Binding Arbitration

Arbitration is the referral of a dispute to one or more impartial persons for final and binding determination. It is private and informal, designed for quick, practical, and inexpensive settlements. Arbitration is an orderly proceeding, governed by the rules of procedure and standards of conduct prescribed by law. It is agreed by Broker and Client as follows:

a. Any controversy or claim arising out of or relating to this Agreement and/or the relationship by and between Client and Broker, shall be resolved by binding arbitration. The arbitration shall be conducted in the county where Client's Real Property is located, or the County in which the nearest JAM's office is located, before a sole arbitrator in accordance with the laws of the State of California. The arbitration shall be administered by JAMS pursuant to its Streamlined Arbitration Rules and Procedures. Judgment upon any award rendered by such arbitrator shall be binding and final and may be entered in any court of competent jurisdiction.

b. Client has been advised, understands and agrees that this "Binding Arbitration" provision is intended to bar and has the legal effect of barring any suit in the courts, with the exception of the enforcement of an arbitrator's award or judgment, between Client and Broker and effectively constitutes a waiver of the right to trial by jury.

- c. Broker agrees to pay the arbitrator's fee, if and when required by law to do so.

I/WE HAVE READ AND UNDERSTAND THE FOREGOING NOTICE AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THE "BINDING ARBITRATION" PROVISION TO NEUTRAL BINDING ARBITRATION.

Client

Broker

By: _____
Client signature

By: _____
Michael J. Zugar,
Broker/Designated Officer

Client

By: _____
Client signature

Article 5. Miscellaneous

Section 5.01. Applicable Law. This Agreement shall be governed by and construed under the laws of the State of California.

Section 5.02. Amendment. Except as set forth herein, this Agreement may not be amended or modified orally and no provision of this Agreement may be waived or amended except in a writing which makes reference to this Agreement and which is signed by Client and Broker.

Section 5.03. Severability. If any provision in this Agreement is determined to be invalid, illegal, or otherwise unenforceable, that determination will not affect any other provision of this Agreement. The invalid provision will be severed from this Agreement and all remaining provisions will continue to be of full force and effect.

Section 5.04. Execution in Counterparts and Facsimile Copies. This Agreement may be executed in counterparts, each of which shall constitute an original, but all of which together shall constitute one and the same instrument. It is agreed that a signed copy of this Agreement transmitted by facsimile transmission shall be binding upon the sending party to the same extent as a signed original of this Agreement.

Section 5.05. Authority to Contract and Bind. The undersigned persons each represent that he/she is authorized and has the legal capacity to enter into this Agreement.

Notice: California Civil Code Section 2945.4 prohibits any real estate licensee from claiming, demanding, charging, collecting or receiving any compensation from a person whose residence is in foreclosure until all of the promised services have been fully performed and completed. DO NOT SIGN THIS AGREEMENT IF A NOTICE OF DEFAULT HAS BEEN RECORDED AGAINST THE PROPERTY.

Client Initials

Client Initials

CLIENT CERTIFIES THAT A NOTICE OF DEFAULT HAS NOT BEEN RECORDED AGAINST THE PROPERTY.

Client Initials

Client Initials

This Agreement is to be performed at San Jose, California.

AGREED AND ACCEPTED:

Dated: _____

Broker

Michael J. Zugar,
Real Estate Broker/Designated Officer

AGREED AND ACCEPTED:

Dated: _____

Client

Client Signature

Print Client Name

AGREED AND ACCEPTED:

Dated: _____

Client

Client Signature

Print Client Name

Exhibit A
Advance Fee Summary

As set forth in the preceding Agreement, Broker agrees to:

Assess whether Client's Mortgage Lender engages in loan modifications. If so, assist Client in assessing whether Client may qualify for a loan modification, in accordance with such lender's requirements and guidelines. Such assistance and assessment is made by reviewing Client's income documentation and by preparing a financial worksheet as to Client's current financial status.

If Client's Mortgage Lender will not engage in loan modifications; or,
If it is determined that Client will not qualify for a loan modification; or,
If for any reason Client does not wish to proceed, Client will owe no fee to Broker, which will then terminate its services

If, upon conclusion of the consultation described above and in Section 1.02, Client wishes for Broker to provide any additional services, then Client shall be required to deposit the sum of Three Thousand Nine Hundred Ninety Five Dollars (\$3,995.00) into the 1 Modification Services, Inc. Client Trust Account identified in Section 1.03. Thereafter, Broker agrees to provide the following services, in accordance with and pursuant to the preceding Agreement:

If Client's Mortgage Lender engages in loan modifications, if there is a reasonable expectation that Client may qualify for a loan modification, and if Client desires to engage Broker, Broker will work with Client to understand the loan modification process and to assemble and complete all documentation, forms and information needed for Client's Mortgage Lender to consider offering Client a Modification, all as set forth in Section 1.04 above. Once completed, Broker will submit a Loan Modification Package to Client's Mortgage Lender.

\$ 1,250.00

After the submission of a Loan Modification Package as described above and in Section 1.04, Broker will work with Client's Mortgage Lender, staying in regular contact with both Client and Client's Mortgage Lender, and negotiating on Client's behalf, until Client's Mortgage Lender makes a final decision with respect to the request for a Modification, all as set forth in Section 1.05 above. An offer from Client's Mortgage Lender of any of the following will constitute a Modification:

As to (a), (b), (c) or (d) as set forth on following page:

\$ 2,745.00

- a. a reduced or fixed interest rate on Client's Mortgage Loan; or,

- b. a conversion of a fixed interest rate to an adjustable rate, either temporarily or permanently, on Client's Mortgage Loan; or,
- c. a principal reduction on Client's Mortgage Loan; or,
- d. elimination, reduction or alternative payment obligations, or a repayment plan, or some form of forbearance or workout arrangement, for any payment obligations on Client's Mortgage Loan which are past due.

Total Potential Fee

\$ 3,995.00

We have read, understood and agreed to the preceding Exhibit A - Advance Fee Summary.

AGREED AND ACCEPTED:

AGREED AND ACCEPTED:

Dated: _____

Dated: _____

Client Signature

Client Signature

Print Client Name

Print Client Name

Exhibit B
Advance Fee Accounting

Dated: _____

1. Client: _____

Client: _____

2. Name of Broker agent(s) providing services:

Description of services provided by Broker to date:

Lender Name _____

Lender Address _____

Loan Account Number _____

Date Loan Modification Package submitted: _____

4. Identification of the Broker Client Trust Account into which Client's funds have been deposited:

1 Modification Services, Inc. Client Trust Account # 501035133 located at:

Heritage Bank of Commerce
150 Almaden Boulevard
San Jose, CA 95113

5. The total amount of funds collected from Client is \$ 3,995.00.

6. Description of all disbursements of Client's funds from the 1 Modification Services, Inc. Client Trust Account, including the date of each such disbursement and the recipient thereof:

Date	Recipient	Amount
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Balance/Refund	\$ _____
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I attest that the above accounting is true and correct.

Executed this _____ day of _____, 200__ at San Jose, California.

Michael J. Zugar.
Broker/Officer